



Florida Department of Transportation

JEB BUSH
GOVERNOR

605 Suwannee Street
Tallahassee, FL 32399-0450

JOSÉ ABREU
SECRETARY

March 29, 2004

Dr. Li-Woan Yang, President
Yang Enterprises, Inc.
1420 Alafaya Trail, Suite 200
Oveido, Florida 32765-8815

RE: Contracts P0162 and BA974 Report No. 140-2014-01

Dear Dr. Li-Woan Yang:

Attached is our audit report on Contracts P0162 and BA974 for Yang Enterprises, Inc. (YEI). This audit was conducted to determine whether a) invoiced costs were reasonable, allowable, and in accordance with the provisions of the contract, applicable laws and regulations; b) YEI complied with other applicable contract requirements; and c) an allegation from a related investigation concerning improper employee billing was supportable.

This audit disclosed \$850,041 in questioned and qualified costs. The questioned costs totaled \$248,255 and of this amount, we request that \$132,701 be repaid to the Department. The remaining \$601,786 will be further evaluated by the Department to determine if additional repayments should be made.

If you have any questions, please contact Carlos Mistry at (850) 410-5832 or Karen Taylor at (850) 410-5842.

Sincerely,

Cecil T. Bragg, Jr., C.P.A.
Inspector General

**YANG ENTERPRISES, INC.
CONTRACTS BA974 AND P0162**

AUDIT REPORT NO. 140-2014-01



***OFFICE OF
INSPECTOR GENERAL***

MARCH 2004



AUDIT TEAM AND PROFESSIONAL STANDARDS

Audit Team Members

Director
Staff

Randall Cook
Carlos Mistry, CIA
Karen Taylor

Sections 20.055 and 20.23, Florida Statutes, require the Florida Department of Transportation's Inspector General to review, evaluate and report on policies, plans, procedures and other operations of the Department and recommend improvements. This audit was conducted to assist management in the effective implementation of transportation programs by the Department.

This audit was conducted in accordance with applicable Government Auditing Standards issued by the Comptroller General of the United States. We included such tests and other auditing procedures as were considered necessary under the circumstances.

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BACKGROUND AND INTRODUCTION

Yang Enterprises, Inc. (YEI) was founded in 1986, as an engineering consulting firm. Initially, YEI primarily served the petroleum industry by providing new designs for retail sale sites and systems. In 1992, Dr. Li-Woan Yang joined the company and shortly after assumed responsibility as President/CEO. Currently, YEI has over 250 employees operating out of headquarters in Oviedo, Florida, and in various project sites. YEI is diversified and provides many non-engineering services, including information technology development.

On February 10, 1997, YEI entered into Contractual Services Agreement BA974 with the Department to provide general office automation services for District 2. The Contract had a maximum amount of \$125,000. The Department paid \$108,653 under this contract for professional information technology services.

On January 20, 1999, YEI entered into Purchasing Contract P0162 to provide an Electronic Document Management System (EDMS). YEI was required to provide software products supporting imaging, workflow, Internet/Intranet, and document management functions. Also, on-site professional support was available through the contract to assist in analysis, including workflow design, development, and maintenance of the EDMS. The budgetary ceiling of this contract was \$8,000,000, and as of May 15, 2002, the Department had paid \$3,159,820 for professional services, software licenses and maintenance.

PURPOSE, SCOPE AND OBJECTIVES

The Office of Inspector General performed this financial-related audit as part of our responsibilities to ensure the fiscal accountability of the Department as required by Sections 20.055 and 20.23, Florida Statutes.

The scope of this audit was to examine YEI invoices and purchase orders submitted under Department Contract BA974 and Contract P0162; Specifically, YEI invoices dated from April 9, 1997, through May 15, 2002.

Our objectives were to determine whether:

- (1) Invoiced costs were reasonable, allowable, and in accordance with the provisions of the contract, applicable laws and regulations;
- (2) YEI complied with other applicable contract requirements; and
- (3) An allegation from a related investigation concerning improper employee billing was supportable.



CIRCUMSTANCES AFFECTING THE AUDIT

Due to pending litigation, various restrictions were imposed by YEI counsel during the course of our audit. As a result, we were not permitted to perform our audit on site at YEI offices and instead examined records at YEI's public accountant's office. Because of this restriction we were unable to observe internal controls, interact with employees, have direct access to original documents, and complete accounting system analyses normally performed during an audit. Accordingly, we were unable to adequately evaluate the control environment and control risk or fully perform our normal audit procedures.

During fieldwork, the Department's project manager, who made many decisions relating to compliance, scheduling, and resource allocations, was unavailable to explain those decisions.

The accounting records YEI maintained for Department contracts consisted of a combination of manual and PC-based spreadsheets. Additionally, there were hard copy prints of supporting documentation. YEI represented that it also maintains an accounting system capable of providing a job cost accounting system. This accounting system was used for one of their large non-Department contracts, but not for the two Department contracts.

SUMMARY FINDINGS AND CONCLUSIONS

Objective 1

Contract P0162 did not require YEI to maintain a job cost or any specific type of accounting system. However, all billed costs must be adequately supported, and YEI's accounting system often would not allow us to determine whether claimed costs were incurred for work performed in connection with Contract P0162, or otherwise were reasonable and acceptable costs.

On a limited basis, we were able to determine whether invoiced and paid costs were in accordance with the provisions of the contract and applicable laws. No questioned costs were identified for Department Contract BA974. However, we had \$850,041 of Questioned or Qualified Costs related to Contract P0162 concerning invoices for labor and travel costs.

The details are in Appendix A and are summarized below:

Paid Costs	\$3,268,473
Less: Invoiced Costs	<u>(3,384,027)</u>
Unpaid Invoiced Costs	(115,554)
Questioned Costs	<u>248,255</u>
Amount Due To FDOT	<u>\$ 132,701</u>



Objective 2

YEI was not in full compliance with the contractual requirements of Department Contract P0162. Our conclusions concerning contractual requirements are limited to those items noted during the financial audit testing. No areas of non-compliance were identified in relation to Department Contract BA974.

The reference notes of Appendix A detail areas of non-compliance.

Objective 3

The allegation was that 100% of a YEI employee's time was charged to the Department while only 30% was Department related. Financial records reviewed included invoices to other YEI contracted entities for the same time period and an analysis of invoiced time sheets to the Department. Review of available financial records did not support the allegation of improper employee billing. However, due to the lack of an integrated accounting system, we cannot exclude the possibility that improper billings could have occurred and not been detected.

DISCUSSION OF AUDIT RESULTS

A draft of the audit report was sent to YEI on January 27, 2004. YEI's formal response was issued on March 11, 2004, excerpts from which are included beginning on page 12.



APPENDICIES

Appendix A
Page 1 of 4

**STATEMENT OF COSTS INVOICED AND RESULTS OF AUDIT
YANG ENTERPRISES, INC.
CONTRACTS BA974 & P0162
FOR THE PERIOD APRIL 9, 1997, THROUGH MAY 15, 2002**

<u>Cost Elements</u>	<u>Paid Costs</u>	<u>Invoiced Costs</u>	<u>Questioned & Qualified Costs</u>	<u>Reference Notes</u>
<u>Contract BA974</u>				
Labor	\$108,653	\$108,653	\$0	
<u>Contract P0162</u>				
Software	1,520,000	1,520,000	0	
Maintenance	817,500	817,500	0	1
Labor	784,317	892,818	820,749	1, 2, 3, 5, 6
Travel	37,992	45,045	29,292	4
Expenses	<u>11</u>	<u>11</u>	<u>0</u>	
TOTAL	<u>\$3,268,473</u>	<u>\$3,384,027</u>	<u>\$850,041</u>	

PAID COSTS	\$3,268,473
INVOICED COSTS	<u>3,384,027</u>
UNPAID INVOICED COSTS	(115,554)
QUESTIONED COSTS	<u>248,255</u>
AMOUNT DUE TO FDOT	<u>\$ 132,701</u>

Total Questioned and Qualified Costs (\$850,041) are comprised of Qualified Costs (\$601,786) and Questioned Costs (\$248,255).

Reference Notes:

- (1) On Contract P0162 the Department paid \$817,500 for annual software maintenance fees. The coverage period of this maintenance was from July 1, 1998, to June 30, 2002. The payments include retroactive coverage of \$547,500 for the period July 1, 1998¹, to June 30, 2001. YEI submitted invoices for professional services for the same period. These invoices included charges supported by time sheets. Although the time sheets reflected that contract work was performed, they did not distinguish whether the work was for maintenance requests or for other professional services related to EDMS project enhancements. We are unable to differentiate whether the Department paid for maintenance fees under professional services and as part of the retroactive maintenance fees except for PO 33646. On PO 33646, YEI submitted detailed descriptions of work performed at the request of OIS. From that detail we determined that \$27,700 was for maintenance costs covered under the YEI Maintenance Plan and therefore constitute duplicated charges. PO 33646 is discussed in further detail and questioned as part of Reference Note 3. YEI did not have detailed descriptions of work performed for the remainder of the contract; nor was this detail available in the Department project records. Therefore we were unable to determine if a portion of these maintenance costs may have been billed in duplicate.
- (2) Purchase Order 31932 was issued on June 22, 1999, for four 1-lot items: preliminary functional specifications; final specifications and beta code; active-x control, final script & code; and installation and procedures for maintenance. This purchase order was lump sum payable upon delivery and acceptance through June 30, 1999. YEI represented that they did not perform the services as specified in the purchase order, and billed for professional services not associated with this purchase order. The YEI invoice no. 870002-22 found in Department's records did not contain sufficient detail for the contractually required proper pre-audit and post-audit. Subsequently, YEI provided an invoice detailing the services performed in conjunction with this purchase order. The Department project manager's records do not agree with the detail provided for the timing of performance on the second invoice. Records available in the Office of Comptroller, which were provided by the Office of Information Systems, do not agree with the project manager's or YEI's assertions of deliverables. Since we were unable to substantiate what services were performed, we are questioning the entire amount (\$62,525) billed under Purchase Order 31932.
- (3) Purchase Order No. 33646 was issued on September 1, 2000, for \$200,000. The labor charges submitted by YEI on the subject invoices were not sufficient to allow for proper inspection and acceptance by the Department. Although YEI subsequently provided project documentation including time reports in support of the invoiced charges, we found no evidence of documented service requests from the Department, no actual labor hour allocation for individual maintenance requests and no Project Manager sign-off of application components.

Appendix A

¹ While July 1, 1998, is before the contract date, January 20, 1999; PO 34177 referenced this start date. The Department and State Comptrollers' Offices approved this date.



On PO 33646, a total of \$197,990 was invoiced by YEI. The Department has accepted and paid \$82,564 leaving an unpaid balance of \$115,426. YEI submitted descriptions of work performed for this PO. From that documentation we determined that \$27,700 was for maintenance costs covered under the YEI Maintenance Plan and therefore constitute duplicate charges. We also determined that \$62,468 of YEI Project Management charges were billed for items that FDOT claimed that either: 1) was never received or requested, 2) enhanced what should be standard system documentation, or 3) was time spent to train YEI replacement staff. The total of the duplicate maintenance and questionable YEI Project Management charges is \$90,168.

Another issue on PO 33646 is the date of the Purchase Order. The Purchase Order states that services begin on the execution date of the Purchase Order – September 1, 2000. Invoice numbers CI01-01-0009 for \$21,684 and CI01-01-0010 for \$19,399, were for work performed prior to the execution date. We have questioned both of these invoices, totaling \$41,083, because they were paid for work performed before the execution of the PO. Of this \$41,083, we removed \$10,077 of questionable project management costs, which were also included in the \$90,168 questioned above, from the total questioned costs for PO 33646.

- (4) Contract P0162, Exhibit B Paragraph 3, states *“The contract hourly billing rates shall include the cost of salaries, overhead, fringe benefits, operating margin, expenses, and travel expenses (except work related travel to and from the Districts).”* Unallowable travel expenses included non-district related travel and undocumented travel costs. Due to the contractual definition that billing rates were to include travel expenses, we have questioned \$21,652 in non-district related travel.

In addition, the invoices submitted by YEI for the period September 1, 2000, through March 31, 2001, contained \$6,925 of undocumented travel charges. Since there was no documentation for these travel charges, we were unable to determine if any portion of the related travel was allowable. We have questioned all of the travel contained within these subject invoices.

YEI invoiced non-reimbursable amounts on travel vouchers submitted for district related travel. YEI billed \$50 for Meal Allowances in instances where Section 112.061, Florida Statutes, allows \$21. We have questioned \$938 of these travel costs. Of this amount, \$223 is also included in the questioned \$21,652 of non-district related travel.

In total, we have questioned \$29,292 for these undocumented and non-reimbursable travel costs.

- (5) Contract P0162 states under OTHER SPECIAL CONDITIONS; paragraph 5 G. *“The employment of unauthorized aliens by any contractor is considered a violation of section 274A(e) of the Immigration and Nationality Act. If the contractor knowingly employs unauthorized aliens, such violation shall be cause for unilateral cancellation of the contract.”* There is an allegation from a related investigation concerning the work status of a YEI employee invoiced to the Department. Unless YEI can substantiate the authorized work status of this individual then the Department has cause for unilateral cancellation of the contract. Until this individual is determined to have authorized status, we must question the \$35,264 of labor invoiced for this employee.
- (6) With the exception of Reference Note 3, we were unable to determine whether the labor costs are in accordance with the terms of the contract P0162. As mentioned in Reference Note 3 above, we were able to conclude that there were some duplicate maintenance and questionable project management charges on PO 33646. Due to a lack of supporting detail including a lack of service requests or status reports, we did not have sufficient information available to determine whether the type of work performed, as charged on time sheets, was allowable or not. As a result, we express a “qualified” opinion, on allowability of the remaining labor amounts. These remaining labor charges equal the total labor invoiced (\$892,818) less allowable labor (\$72,069), less total questioned labor costs (\$218,963), for a total of \$601,786. The Department’s Chief Information Officer should determine whether these charges should also be refunded.

**SUMMARY OF QUESTIONED COSTS**

REFERENCE NOTE	QUESTIONED COSTS	DESCRIPTION
2	\$ <u>62,525</u>	Charges for professional services that were not substantiated by supporting documentation
3	\$ 27,700 <u>62,468</u> 90,168 41,083 <u>(10,077)</u> \$121,174	Duplicate charges for Maintenance Charges for YEI Project Management that were not substantiated by supporting documentation Total questioned Maintenance and YEI Project Management Costs Costs paid prior to purchase order date (including \$10,077 for questioned Project Management and Maintenance) Less amounts questioned in both questioned Maintenance and YEI Project Management Costs and Costs paid prior to purchase order date Total Questioned Costs for Reference Note 3
4	\$ 938 <u>(223)</u> 715 21,652 <u>6,925</u> \$ <u>29,292</u>	Travel reimbursement not in accordance with Section 112.061, Florida Statutes Less amounts included with non-reimbursable travel Total travel reimbursement not in accordance with Section 112.061, Florida Statutes Unallowable non-district related travel (including \$223 of other non-reimbursable travel) Travel that was not substantiated by supporting documentation Total Questioned Travel for Reference Note 4
5	\$ <u>35,264</u>	Labor charges related to work status allegation
6	\$ <u>601,786</u>	Qualified Labor Costs
	\$ 62,525 121,174 29,292 <u>35,264</u> 248,255 <u>601,786</u> <u>\$850,041</u>	Reference Note 2 Reference Note 3 Reference Note 4 Reference Note 5 Subtotal Questioned Costs Reference Note 6 (Qualified Labor Costs) Total Questioned and Qualified Costs



REPORT ON INTERNAL CONTROLS AND COMPLIANCE

The objectives of internal accounting controls are to safeguard assets against loss from unauthorized use or disposition, to ensure that records used to prepare financial statements are reliable, and accountability of assets is maintained. Professional audit standards, including Government Auditing Standards issued by the Comptroller General of the United States, require that we plan and perform audits to obtain reasonable, but not absolute, assurance that claimed costs are free from material misstatement and are in compliance with applicable laws and regulations.

The objective of this audit did not require an understanding or assessment of the overall internal control structure, only the portions applicable to YEI's procedures used to comply with the provisions of the contract. However, since we were not able to acquire adequate knowledge of the internal control system, we cannot express an opinion on the internal control structure. Our audit tests included expense accounts that represent direct labor and expenses contained in this report. The results of these tests indicate YEI did not comply in all material respects, with applicable laws, rules, regulations, and terms of the contracts as described in the Circumstances Affecting the Audit and in Appendix A.

DISCUSSION OF FINDINGS

On March 11, 2004, the Law Firm of Charles Harrison, P.A., submitted YEI's response to Draft Audit Report 140-2014-01. Their response followed the organization of the report. Only the elements of YEI's response that relate directly to findings are addressed below and on the following pages. We made minor changes to the draft report language based on YEI's response. Excerpts from YEI's formal response are presented below.

SUMMARY FINDINGS AND CONCLUSIONS

Objective 1

YEI's Response stated:

- 1) *"...objective (1) states the objective was to determine whether "Invoiced and paid costs were reasonable, allowable and in accordance with the provisions of the contract, applicable laws and regulations." The IG's auditors failed to faithfully follow this objective because a portion of the Draft Audit Report addressed invoiced and "unpaid" costs, specifically YEI's invoices from September 2000 through March 2001."*
- 2) *"The first paragraph of Objective 1 states: "While YEI maintained an accounting system, it did not use an adequate job cost accounting system, which would allow us to determine whether claimed costs were reasonable." Again, in Exhibit "E", Item 3, I asked you to provide the "specific section or sections of Contract P0162 which required YEI to have a comprehensive job cost accounting system to perform said Contract." In Exhibit "F", Item 3 you responded "YEI was not required to maintain a job cost accounting system, which is stated in the report." I cannot find such a statement in the Draft Audit Report so when you issue your final Audit Report please clearly state this fact."*

AUDITOR'S RESPONSE

We changed Objective 1 to read "Invoiced costs were reasonable, allowable, and in accordance with the provisions of the contract, applicable laws and regulations."

Our report was modified to recognize that YEI was not required to maintain a job cost accounting system. While YEI was not required to have a job cost or any specific type of accounting system, their accounting system must be able to support costs billed. Adequate support was often not available.

REFERENCE NOTE 1

YEI's Response stated:

- 1) *"FDOT purchased the Annual Maintenance Fee for the EDMS product ARCIS (not for the FDOT EDMS application projects) in order to be able to receive the software fixes and receive any upgrades to the original software. However, the Annual Maintenance Fee does not cover YEI's professional services for the design, building and/or maintenance of the FDOT EDMS application projects or ARCIS software product's performance after it has been customized and/or integrated with other software products. Also, Annual Maintenance Fee does not cover any on-site support."*

Some of the work items which the IG determined to be "Support" were in fact professional services provided on-site at FDOT locations."

- 2) *"It is YEI's position that the SASMP is not a contractual document because it was only provided by YEI to FDOT for FDOT's reference."*

AUDITOR'S RESPONSE

We do not concur with YEI's position that the billings were for "project" related charges. We believe that the charges were for maintenance and support of existing products.

The Standard ARCIS System Maintenance (SASMP) Plan supplied by YEI is the only maintenance plan received by FDOT from YEI.

REFERENCE NOTE 2

YEI Response stated:

"Mavis Georgalis did accept YEI's invoice for these professional services and approved it for payment thereby acknowledging that the professional services invoiced against Purchase Order 31932 was (sic) in fact performed."

AUDITOR'S RESPONSE

YEI represented that they did not perform the services as specified in the purchase order, and billed for professional services not associated with this purchase order. The YEI invoice no. 870002-22 found in Department's records did not contain sufficient detail for the contractually required proper pre-audit and post-audit. Since we were unable to substantiate what services were performed, we are questioning the \$62,525.

REFERENCE NOTE 3

YEI Response stated:

- 1) *"The first issue raised by the second paragraph of Reference Note 3 refers to the same \$27,726 addressed in Reference Note 1 above and by Exhibit "K" attached hereto. The second issue raised in the second paragraph of Reference Note 3 refers to \$62,468 of YEI project management charges which FDOT allegedly claims were "(1) never received or requested; (2) enhanced what should be standard system documentation; (3) was time spent to train YEI replacement staff; or (4) was time to borrow and return equipment to FDOT."*

"YEI will address each of the above points as set forth below:"

"(1) was never received or requested"

"YEI has e-mail correspondence and other documentation which contradicts this assertion. These documents are set forth as a part of Exhibit "K" attached hereto. The documents within Exhibit "K" are simply an example of YEI's documents which support these project management fees."

"(2) enhanced what should be standard system documentation"

“Documentation updates that are covered by SASMP are those for the ARCIS product only. Project information is related to FDOT EDMS application projects, not ARCIS product information. The act of “documenting project information”, does not fall under the five areas of the SASMP, which again are: (i) Software upgrades, (ii) Product Enhancements, (iii) Documentation updates, (iv) Unlimited hotline, E-mail and fax, and (v) Discounted user group meeting fees.”

“(3) was time spent to train YEI replacement staff”

“YEI did not charge FDOT for the training of its personnel regarding ARCIS. However, it is YEI’s contractual responsibility to remain technically knowledgeable about FDOT’s EDMS application projects in order to support them. This included charges for transitioning a new YEI person to replace a former YEI person with respect to the application projects. This is similar to FDOT’s personnel who work on a project; they need to know about the project before they can properly perform their services or before they can properly replace another person.”

“(4) was time to borrow and return equipment to FDOT”

“The equipment was provided to YEI for the development and support of EDMS application projects as per P0162, Exhibit “A”, page 56, paragraph D., “Personal computers and computer terminals will be supplied by FDOT.” Because the equipment was FDOT property and used by YEI specifically to support the FDOT EDMS application projects, YEI had to provide professional services to configure the equipment, load it with the FDOT EDMS application projects and link the equipment into YEI’s intranet. FDOT directed that its equipment be returned on two occasions. In connection with each occasion, YEI was required to provide professional services to reconfigure the network, archive data from the workstations to be returned, reformat to their original set up the workstations which were being returned, check and verify the work performed, and pack the equipment being returned. As a part of each of these occasions, YEI also had to setup the YEI owned hardware in order to continue to provide FDOT EDMS application project support in the future as required according to P0162.”

- 3) *“In the third paragraph of Reference Note 3, you basically questioned the issue of YEI performing professional services prior to the execution date of Purchase Order 33646. During YEI’s performance of P0162, it billed FDOT in monthly billing periods against the current purchase order. These monthly bills would be submitted in different cycles, depending on availability of funds. If no funds were available, YEI held the monthly bill(s) until it received a new purchase order. If there were not enough funds available, Mavis Georgalis would issue another purchase order and instruct YEI to charge against the new purchase order this allowing it to be paid. Also, Mavis Georgalis would, for her convenience, occasionally instruct YEI to split its invoices to charge against different purchase orders in order to zero out open purchase orders. Based on Mavis Georgalis directions, the execution date of the purchase orders are irrelevant. YEI proposes FDOT correct its purchase orders in order to rectify the situation so that FDOT’s purchase orders reflect the timing of YEI’s professional services performed for P0162.”*

AUDITOR’S RESPONSE

While YEI has provided some e-mail correspondence and other documentation for the questioned project management charges, we believe that the questioned project management charges are for time neither requested nor received by FDOT.

Questioned documentation pertaining to the EDMS system is considered standard system documentation, and is therefore covered under the SASMP.

FDOT is not responsible for the training of a vendor's personnel. Such training is the responsibility of the vendor. We consider training to be an indirect cost and part of overhead.

FDOT should not be responsible for paying to have its own equipment returned. Returning borrowed equipment should be the responsibility of the vendor. However, because there is no clear criteria to disallow it, we have not questioned any costs associated with this charge.

The issuance of a purchase order precedes the authorization to begin work on a specific task. Invoices can then be submitted for payment to FDOT for work performed in connection with an existing purchase order.

REFERENCE NOTE 4

- 1) YEI disputes the IG's position that PO 29232 is a part of P0162, and as a result, the \$14,261.48 in questioned travel costs associated with Purchase Order 29232 should not be questioned.

YEI's Response stated:

- 2) *"...I requested that you acknowledge the CIDF is located in one of FDOT's Districts. You have had no response to either of these requests. Clearly, travel to a district office in Tallahassee is a proper travel expense if it is not to the Central Office located at 605 Suwannee Street, Tallahassee, Florida. Since the CIDF is a district office, travel to the CIDF which was required by P0162 is legitimate reimbursable travel."*
- 3) YEI disputes the \$6,925 of undocumented travel costs.
- 4) YEI disputes the \$938 in disallowed travel costs, and stated that FDOT instructed YEI on how to complete the State of Florida travel vouchers and that FDOT completed some of YEI's travel vouchers.

AUDITOR'S RESPONSE

Of the \$21,652 questioned in Reference Note 4 on page 8, \$14,261.48 is for non-district related travel under Purchase Order 29232. We believe that PO 29232 is properly included as a part of Contract P0162.

The Central Infrastructure Development Facility (CIDF) office is part of FDOT's Central Office even though it is not located in the Hayden Burns building. The CIDF office does not fall under the jurisdiction of any of the District Offices.

YEI has still not provided documentation to support the \$6,925 of questioned travel costs.

Contract P0162 requires YEI to submit travel vouchers in accordance with Florida Statutes. The meal allowances are not acceptable charges because they are clearly in excess of statutory provisions.

REFERENCE NOTE 5

YEI's Response stated:

"It is YEI's position that YEI never paid Mr. Nee, Mr. Nee was never an employee of YEI and if Mr. Nee is an illegal alien, YEI had no knowledge of that fact...." "...The provision from PO162 upon which you rely has

no application to PO 29232; this very same provision requires the contractor to knowingly employ the illegal alien and you have no proof YEI knowingly employed Mr. Nee (if in fact he is an illegal alien, which YEI has no knowledge); and the proof you have establishes Mr. Nee was an unpaid consultant to YEI, not a paid employee. There is no basis for you to question \$35,264 of labor for Mr. Nee as stated in Reference Note 5.”

AUDITOR’S RESPONSE

Contract P0162 clearly states under OTHER SPECIAL CONDITIONS; paragraph 5 G. *“The employment of unauthorized aliens by any contractor is considered a violation of section 274A(e) of the Immigration and Nationality Act. If the contractor knowingly employs unauthorized aliens, such violation shall be cause for unilateral cancellation of the contract.”* YEI must provide proof that Mr. Nee was authorized to work or refund \$35,264. Mr. Nee was billed to the contract on YEI invoice no. 870002-03 as a Senior Systems Analyst.

REFERENCE NOTE 6 AND THE “REPORT ON INTERNAL CONTROLS AND COMPLIANCE”

YEI’s Response stated:

- 1) *“YEI’s professional services are in compliance with the terms of P0162.”*
- 2) *“YEI has thoroughly presented its responses to the IG’s allegations set forth in Appendix A and YEI categorically denies the IG’s assertion that it did not comply in all material respects, with applicable laws, rules, regulations and terms of the contracts as described in Appendix A.”*

AUDITOR’S RESPONSE

We do not believe that YEI is in compliance with the terms of Contract P0162. Generally Accepted Governmental Auditing Standards requires that auditors be free from external impairments to independence. External impairments include any restrictions that interfere with the auditor’s ability to form independent and objective opinions and conclusions. Due to a lack of supporting detail including a lack of service requests or status reports, we did not have sufficient information available to determine whether the type of work performed, as charged on time sheets, was allowable or not. During this audit, our auditor’s were not allowed to perform the audit at YEI’s place of business. Standard auditing procedures include an examination of the auditee’s control environment, interaction with the auditee’s employees, access to the accounting system, and access to all accounting records. An integrated accounting system serves to mitigate some of the risk that improper billings might have occurred and not been detected. Although YEI was not specifically required to have an integrated accounting system, the system in place did not allow us to obtain reasonable assurance that the claimed costs were free from material misstatement. Since YEI did not allow us to perform the audit at their office, we were not able to successfully complete all of our audit procedures. These circumstances interfered with our ability to form independent and objective opinions and conclusions. As a result, we express a “qualified” opinion, on allowability of the remaining labor amounts.



Appendix E

REPORT DISTRIBUTION

José Abreu, Secretary, FDOT
Lowell Clary, Assistant Secretary for Transportation Support, FDOT
Nelson Hill, Chief Information Officer, Office of Information Systems, FDOT
Robin Naitove, Comptroller, FDOT
Vicki Bradford, Manager, Business Systems Support Office, FDOT
Pamela Leslie, General Counsel, FDOT
Dr. Li-Woan Yang, President, Yang Enterprises, Inc.